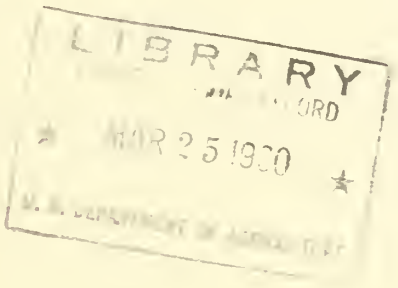
Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

A280.39
M34Amw
cop. 2

MARKETING SPREADS FOR EGGS AND FRYING CHICKENS IN THE UNITED STATES AND SELECTED CITIES



Reprinted From
The Marketing and Transportation Situation
January 1960

U. S. DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Marketing Economics Research Division

AMS-296 (1960)

MARKETING SPREADS FOR EGGS AND FRYING CHICKENS IN THE UNITED STATES AND SELECTED CITIES 1/

Eggs and frying chickens compose the only major group of food products for which farm-retail price spreads have not increased in recent years. Average farm-retail price spreads for eggs in the United States in 1959 were 0.6 cent higher than in 1958, but spreads for frying chickens averaged 0.7 cent a pound lower in 1959. Prices paid by urban consumers and farm values of both eggs and frying chickens in 1959 were at their lowest levels in more than 10 years. This article describes recent changes in prices and price spreads for eggs and frying chickens in the United States and selected large cities.

Eggs

Retail egg prices paid by urban consumers in the United States averaged 12 percent lower in 1959 than in 1958, farm values were down 19 percent, and farm-retail spreads were 3 percent wider (table 7). 2/ The greater decline in farm values than in retail prices reduced the farmer's share of the retail price from 68 percent in 1958 to 63 percent in 1959, the lowest annual average share recorded in more than a decade.

Declining egg prices have been influenced largely by increased supplies. The estimated number of eggs produced on farms in the United States in 1959 was 2 percent higher than in 1958 and per capita consumption was down slightly in 1959. Weekly volumes of eggs moved into commercial channels in the United States during 1959 increased from 1 to 18 percent over corresponding weeks in 1958. 3/ These changes in weekly commercial egg movements were strongly affected by substantial increases reported in the South Atlantic, South Central, and western regions. The percentage changes in the western region were less than those in the southern regions. However, the volume of eggs moved in the West was nearly twice the combined volume reported for both southern regions. However, more eggs were still sold off farms in the North Central region than were marketed from any other region in the United States. The big increase in commercial egg production in the South -- a deficit egg producing region a few years ago -- has intensified interregional competition for markets, especially since some southern States are now "exporting" eggs at times to markets in other regions.

1/ Prepared by Leo R. Gray, Agricultural Economist, Mktg. Econ. Res. Div., Agr. Mktg. Serv.

2/ Farm value for eggs is the average payment received by producers for 1.03 dozen eggs.

3/ The definition of commercial egg assemblers used in the "Commercial Egg Movement Report" includes all firms that receive eggs from producers and that handle 400 or more cases of eggs per week from all sources.

Table 7.--Eggs and frying chickens: Retail price, farm value, farm-retail spread, and farmer's share of the retail price, United States urban areas, annual 1950-59, by months January 1958-November 1959

Year and month	Eggs				Chickens (broilers and fryers, ready-to-cook)			
	Retail price per dozen 1/	Farm value 2/	Farm-retail spread	Farmer's share	Retail price per pound 1/	Farm value 3/	Farm-retail spread	Farmer's share
	Cents	Cents	Cents	Percent	Cents	Cents	Cents	Percent
1950	57.1	38.0	19.1	67	57.0	37.4	19.6	66
1951	69.7	49.4	20.3	71	59.7	39.0	20.7	65
1952	63.6	43.2	20.4	68	60.0	39.7	20.3	66
1953	66.8	49.0	17.8	73	58.5	37.0	21.5	63
1954	56.2	37.5	18.7	67	52.8	31.6	21.2	60
1955	58.1	40.1	18.0	69	54.8	34.6	20.2	63
1956	57.7	39.8	17.9	69	47.8	26.9	20.9	56
1957	54.9	36.6	18.3	67	46.7	25.9	20.8	55
1958 4/	57.9	39.5	18.4	68	46.1	25.4	20.7	55
1959 5/	50.9	31.9	19.0	63	42.3	22.3	20.0	53
1958 4/								
January	59.3	40.5	18.8	68	45.8	27.3	18.5	60
February	55.7	38.5	17.2	69	47.4	27.9	19.5	59
March	61.9	42.6	19.3	69	49.7	29.3	20.4	59
April	57.2	39.7	17.5	69	47.7	26.6	21.1	56
May	54.9	37.9	17.0	69	48.6	27.8	20.8	57
June	52.9	36.3	16.6	69	48.7	28.9	19.8	59
July	55.3	37.9	17.4	69	48.5	26.4	22.1	54
August	57.2	38.8	18.4	68	46.2	24.1	22.1	52
September	64.6	43.1	21.5	67	44.1	22.3	21.8	51
October	60.0	40.2	19.8	67	42.6	21.6	21.0	51
November	58.9	40.1	18.8	68	42.7	21.6	21.1	51
December	56.4	38.1	18.3	68	41.1	20.7	20.4	50
1959								
January	56.4	37.7	18.7	67	42.9	23.8	19.1	55
February	54.7	36.9	17.8	67	43.5	23.6	19.9	54
March	53.0	35.1	17.9	66	43.6	23.7	19.9	54
April	46.6	28.9	17.7	62	42.7	22.3	20.4	52
May	43.7	25.9	17.8	59	42.1	21.9	20.2	52
June	42.4	25.6	16.8	60	41.4	21.6	19.8	52
July	50.4	31.1	19.3	62	42.4	22.1	20.3	52
August	51.0	31.8	19.2	62	41.5	21.5	20.0	52
September	54.8	33.8	21.0	62	41.7	21.5	20.2	52
October	53.3	32.5	20.8	61	40.6	20.6	20.0	51
November	52.1	32.2	19.9	62	40.8	20.6	20.2	50

1/ Estimated average prices of all eggs or frying chickens sold to consumers in retail stores in urban communities, based on prices collected by the Bur. of Labor Statistics. 2/ Average payments received by producers for 1.03 dozen eggs. 3/ Payment to producers for 1.37 pounds of live weight chicken, the equivalent to 1 pound ready-to-cook weight. 4/ Revised. 5/ Preliminary.

This interregional competition has increased cartoning in production areas and increased emphasis on product and price differentiation in an effort to increase net returns by offering more top quality eggs at premium prices. Higher gross returns may be partially offset by higher costs generally associated with the procurement and marketing of these top quality eggs. But these generally higher costs may be counteracted, at least partly, by savings resulting from improved handling methods and equipment and from economies associated with larger scale operations.

Variations in prices usually are not accompanied by corresponding changes in price spreads at the various market levels. Although year-to-year changes in gross farm-retail price spreads may be slight, component price spreads at different market levels in different cities often are more variable and sometimes move in opposite directions. This point has been brought out in a study of monthly price spreads in nine cities for eggs and poultry now being conducted by the Agricultural Marketing Service. This article is based in part on information from this study.

Marketing Spreads in Nine Large Cities 4/

Gross farm-retail price spreads on Grade A large eggs in nine major cities in the United States averaged 24.4 cents a dozen in 1959 -- an increase of 0.4 cent over 1958 (table 8). This slight increase for the nine cities was due to wider average retail-store margins (spreads), since farm-retailer spreads narrowed (fig. 3). Prices, however, declined several cents a dozen at all market levels in all of the cities.

Although the average farm-retail spread for the nine cities showed a slight increase from 1958 to 1959, farm-retail spreads in five of these cities declined. The greatest increase in farm-retail spreads in the nine cities during 1958 and 1959 was in Boston, where the spreads widened 2.5 cents a dozen. The greatest decrease was in Atlanta, 1.8 cents a dozen.

Farm-retail spreads on Grade A large eggs marketed in the nine cities in 1959 were widest in New York City and narrowest in Los Angeles. These high and low positions have been held by these two cities ever since this special study of price spreads was launched in July 1955. Annual averages of farm-retail spreads in New York City have remained fairly stable within the narrow range of 28.9 to 29.6 cents per dozen since 1956, but in Los Angeles farm-retail spreads have increased 4.8 cents over the 15.4 cents annual average for 1956. This change may have resulted in part from a shift in pricing policies with respect to differentials among grades and sizes and may or may not indicate an increase of comparable magnitude in distributors' margins on all grades combined.

4/ See the Jan. 1958 and 1959 issues of The Marketing and Transportation Situation for similar articles on eggs and poultry which show individual city annual average prices and price spreads for the years 1956, 1957, and 1958.

Table 8.--Eggs, Grade A large and medium: Prices per dozen and price spreads at various market levels, 9-city average 1958 and 1959, selected cities 1959

Item	9-city average 1/		Boston	New York	Baltimore	Washington, D. C. 1/
	1958	1959				
	Cents	Cents	Cents	Cents	Cents	Cents
Large:						
Prices:						
Retail	61.8	54.4	59.0	60.3	56.6	60.2
To retailers	52.5	44.6	47.4	47.4	49.2	48.0
To city receivers	43.1	35.1	37.5	36.4	36.4	39.2
Farm 2/	37.8	30.0	35.2	30.7	29.9	35.0
Spreads:						
Farm-retail	24.0	24.4	23.8	29.6	26.7	25.2
Retail store	9.3	9.8	11.6	12.9	7.4	12.2
Farm-retailer	14.7	14.6	12.2	16.7	19.3	13.0
Receiver-retailer	9.4	9.5	9.9	11.0	12.8	8.8
Farm-receiver	5.3	5.1	2.3	5.7	6.5	4.2
Medium:						
Prices:						
Retail	54.3	46.3	51.1	49.0	3/ 46.6	51.3
To retailers	46.1	37.8	39.9	38.4	41.4	40.4
To city receivers	37.1	29.0	30.6	29.1	29.0	31.2
Farm	4/ 31.6	24.0	28.9	23.7	23.3	27.4
Spreads:						
Farm-retail	22.7	22.3	22.2	25.3	23.3	23.9
Retail store	8.2	8.5	11.2	10.6	5.2	10.9
Farm-retailer	14.5	13.8	11.0	14.7	18.1	13.0
Receiver-retailer	9.0	8.8	9.3	9.3	12.4	9.2
Farm-receiver	5.5	5.0	1.7	5.4	5.7	3.8

Item	Atlanta	Cleveland	Chicago	St. Louis	San Francisco	Los Angeles
Large:						
Prices:						
Retail	52.5	55.1	49.8	51.8	53.5	51.3
To retailers	42.7	45.4	44.1	42.2	43.6	39.2
To city receivers	33.9	32.2	32.2	32.4	39.9	34.7
Farm 2/	28.2	28.0	24.7	30.6	31.3	31.1
Spreads:						
Farm-retail	24.3	27.1	25.1	21.2	22.2	20.2
Retail store	9.8	9.7	5.7	9.6	9.9	12.1
Farm-retailer	14.5	17.4	19.4	11.6	12.3	8.1
Receiver-retailer	8.8	13.2	11.9	9.8	3.7	4.5
Farm-receiver	5.7	4.2	7.5	1.8	8.6	3.6
Medium:						
Prices:						
Retail	3/ 45.7	46.5	42.2	47.2	3/ 45.2	3/ 43.4
To retailers	36.5	37.9	37.4	38.1	37.0	33.2
To city receivers	27.9	26.4	27.7	28.0	33.3	28.7
Farm	22.7	21.8	19.3	25.9	25.5	25.2
Spreads:						
Farm-retail	23.0	24.7	22.9	21.3	19.7	18.2
Retail store	9.2	8.6	4.8	9.1	8.2	10.2
Farm-retailer	13.8	16.1	18.1	12.2	11.5	8.0
Receiver-retailer	8.6	11.5	9.7	10.1	3.7	4.5
Farm-receiver	5.2	4.6	8.4	2.1	7.8	3.5

1/ Washington, D. C., is excluded from the 9-city average. 2/ Farm prices are computed from prices reported in major commercial supply areas shipping eggs into the respective cities. 3/ Estimated annual averages based on data for fewer than 12 months. 4/ Revised.

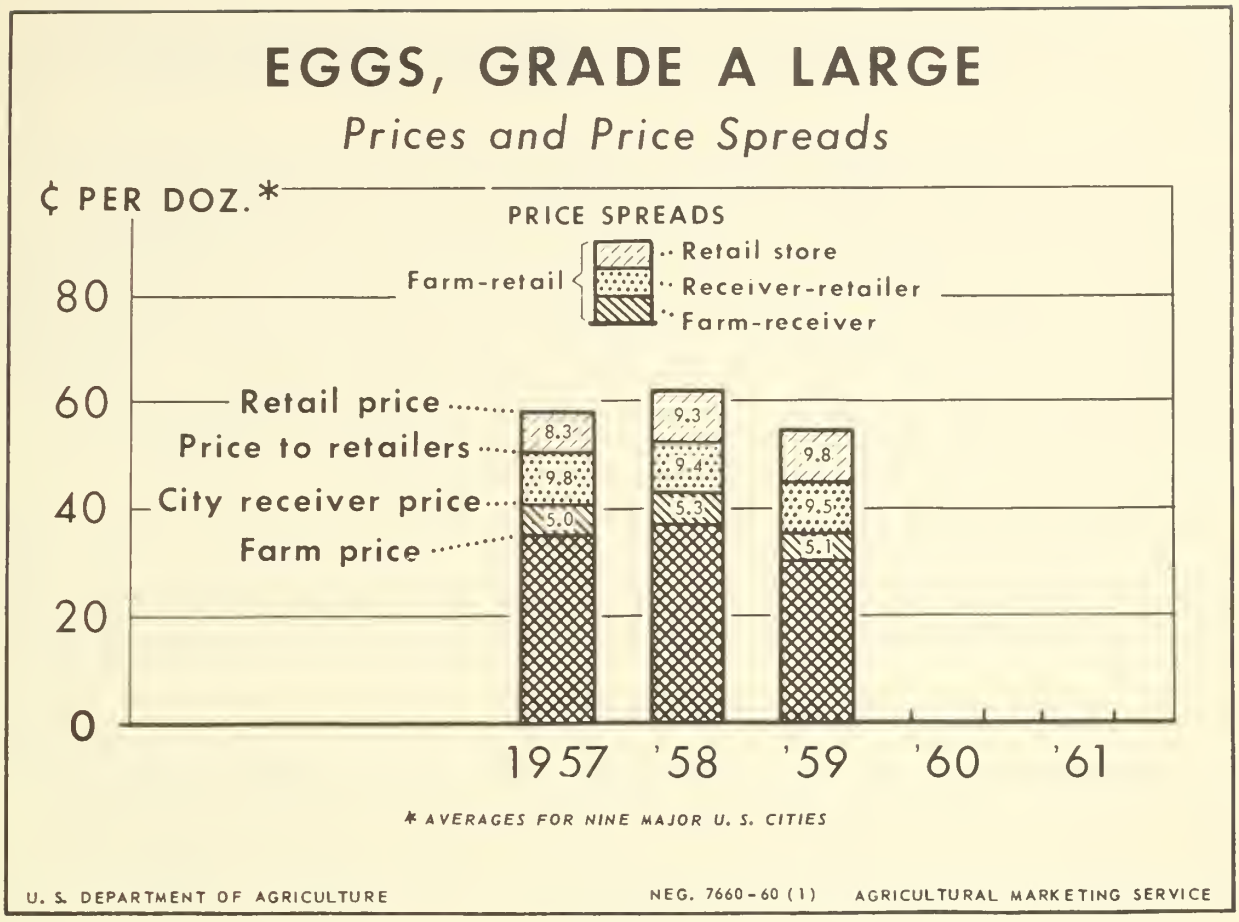


Figure 3

Retail-Store Spreads.--Retail-store spreads in the nine cities have been largest in New York City and smallest in Chicago since 1956. Increases have occurred each year since 1957 in Cleveland, Los Angeles, New York, St. Louis, and San Francisco. San Francisco had the greatest increase -- 2.0 cents a dozen -- from 1958 to 1959, and Atlanta had the greatest decrease -- 0.5 cent a dozen. 5/ Using the nine-city average for large eggs, the 1959 retail-store spread of 9.8 cents a dozen as a basis, cities such as Chicago and Baltimore had small average spreads (table 8). Other cities, however, such as New York, Boston, Washington, and Los Angeles had large retail-store spreads.

Farm-Retailer Spreads.--The average spread between prices paid by retailers in the nine cities and prices received by farmers (the farm-retailer spread) has declined slightly since 1957. Los Angeles has consistently shown the smallest farm-retailer spread of all of the nine cities. Chicago had the widest farm-retailer spread in 1959 and 1957, but was edged out by Baltimore

5/ For more detailed information on spreads in San Francisco see: Gray, Leo R., Marketing Costs and Price Spreads for Eggs, Frying Chickens, and Turkeys Sold in San Francisco, U. S. Dept. Agr., Mktg. Res. Rept. 314, Apr. 1959.

in 1958. Boston's increase of 1.9 cents a dozen and Atlanta's 1.3-cents decrease were the biggest changes in farm-retailer spreads among the nine cities from 1958 to 1959.

The nine-city average farm-retailer price spread of 14.6 cents a dozen on Grade A large eggs in 1959 closely approximated costs (excluding retail-store margins) reported in a special study on the marketing of midwestern eggs. These costs totaled 12.2 cents a dozen when eggs were cartoned in plants located in the producing areas and 18.2 cents when eggs were shipped loose and required candling and cartoning at the terminal market. 6/ Using the nine-city average as a basis, farm-retailer spreads in cities such as Chicago and Baltimore were quite high in 1959. Farm-retailer spreads in Los Angeles and St. Louis were low, and may reflect in part efficiencies made possible by the direct marketing channels in those cities. All four of these cities are located in or near major commercial egg producing areas.

The nine-city average of farm-retail price spreads for Grade A medium eggs in 1959 was 22.3 cents a dozen, 0.4 cent less than that for medium eggs in 1958 and 2.1 cents less than for large eggs in 1959. Intercity differences in prices and price spreads for medium eggs were similar to those for large eggs.

Frying Chickens

Average farm-retail price spreads for ready-to-cook frying chickens in the United States declined 0.7 cent a pound from 1958 to 1959 (table 7). The annual average retail price and farm value averaged, respectively, 42.3 and 22.3 cents a pound, continuing their long-time downward trends. At 53 cents the farm share of the retail dollar spent for frying chickens in 1959 also was the smallest recorded in more than 10 years.

The continued downward trend in farm-retail spreads has been due in part to efforts of marketing firms to survive by lowering their profit margins while striving to increase efficiency in the production and marketing of fryers.

Retail price specials of 29 cents a pound, or lower, have become both common and popular in chainstores and independent supermarkets in many cities.

Marketing Spreads in Nine Large Cities

Farm-retail price spreads on frying chickens in nine major cities in the United States averaged 19.4 cents a pound in 1959 -- a decrease of 1.2 cents from 1958 (table 9). This decline was due mostly to declines in retail-store spreads (fig. 4). Average prices declined several cents a pound in 1959 at all market levels in each of the cities.

6/ For more detailed information on these costs see: Conlogue, Robert M., Candling and Cartoning Eggs in Country Plants, U. S. Dept. Agr., Mktg. Res. Rept. 366, Dec. 1959.

Table 9.--Frying chickens: Prices per pound (ready-to-cook basis) and price spreads at various market levels, 9-city average 1958 and 1959 and selected cities, 1959

Item	9-city average 1/		Boston
	1958	1959	
	Cents	Cents	Cents
Prices:			
Retail	46.1	41.5	43.8
To retailers	34.3	30.9	29.7
To city receivers	31.3	---	28.8
Farm 2/	25.5	22.1	23.2
Spreads:			
Farm-retail	20.6	19.4	20.6
Retail store	11.8	10.6	14.1
Farm-retailer	8.8	8.8	6.5
Receiver-retailer	3.0	---	.9
Farm-receiver	5.8	---	5.6

	New York	Baltimore	Washington, D. C.
Prices:			
Retail	41.2	40.7	38.3
To retailers	30.4	31.7	30.3
To city receivers	28.0	28.9	27.8
Farm 2/	23.1	23.6	22.2
Spreads:			
Farm-retail	18.1	17.1	16.1
Retail store	10.8	9.0	8.0
Farm-retailer	7.3	8.1	8.1
Receiver-retailer	2.4	2.8	2.5
Farm-receiver	4.9	5.3	5.6

	Atlanta	Cleveland	Chicago
Prices:			
Retail	38.2	39.0	38.4
To retailers	28.9	29.4	30.4
To city receivers	26.6	---	27.1
Farm 2/	20.8	21.5	21.3
Spreads:			
Farm-retail	17.4	17.5	17.1
Retail store	9.3	9.6	8.0
Farm-retailer	8.1	7.9	9.1
Receiver-retailer	2.3	---	3.3
Farm-receiver	5.8	---	5.8

	St. Louis	San Francisco	Los Angeles
Prices:			
Retail	36.4	48.7	47.5
To retailers	3/ 29.3	34.5	33.7
To city receivers	27.0	---	28.7
Farm 2/	20.8	23.6	20.8
Spreads:			
Farm-retail	15.6	25.1	26.7
Retail store	7.1	14.2	13.8
Farm-retailer	8.5	10.9	12.9
Receiver-retailer	2.3	---	5.0
Farm-receiver	6.2	---	7.9

1/ Washington, D. C., is excluded from the 9-city average. 2/ Farm values are computed from prices reported in major commercial supply areas shipping frying chickens into the respective cities. 3/ Annual estimates based on data for fewer than 12 months.

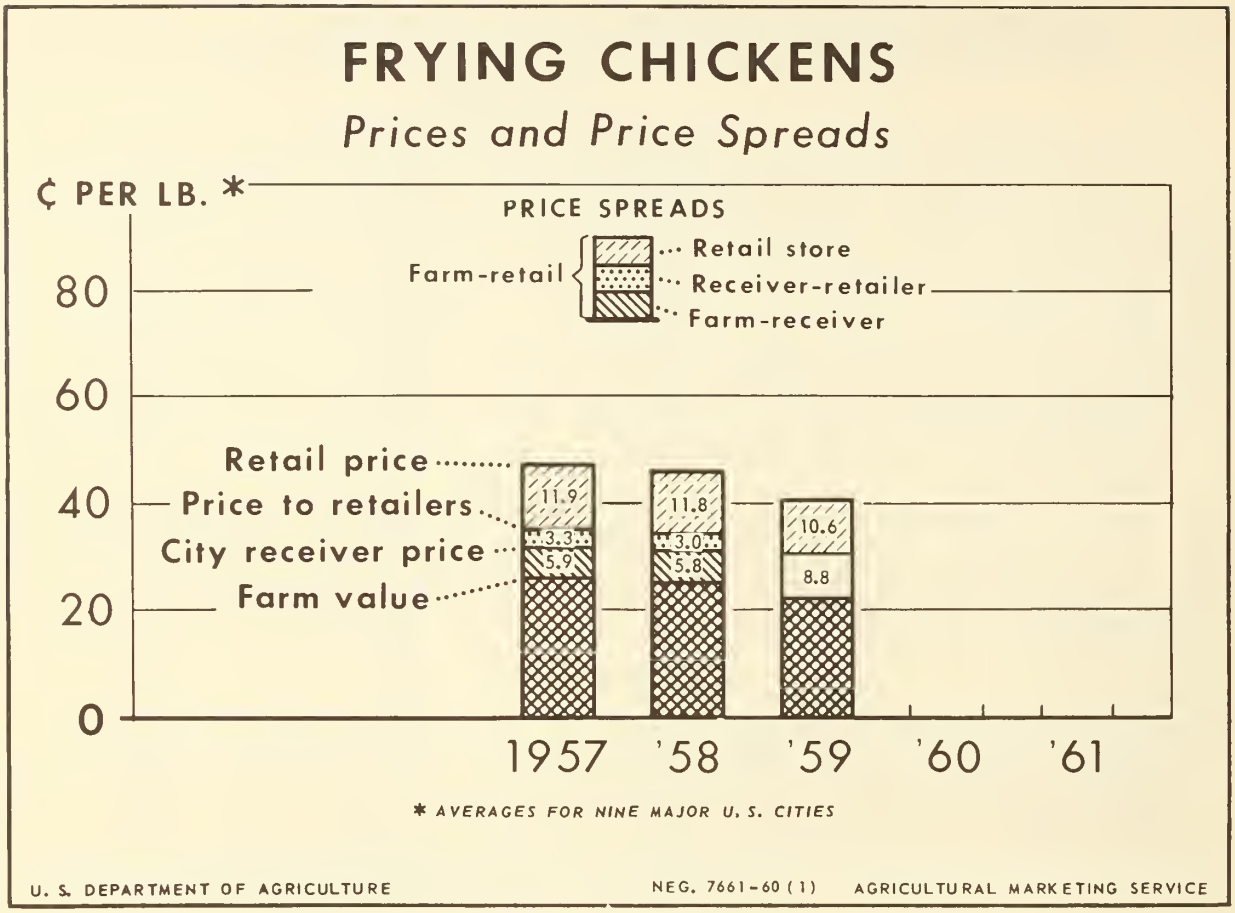


Figure 4

Atlanta alone among the nine cities had an increase in 1959 in its farm-retail spread -- 0.7 cent a pound. This was due mostly to increases in wholesale margins, as retail-store margins declined. Los Angeles had the biggest decrease in farm-retail margins -- 2.3 cents a pound -- due to lower retail-store spreads.

The two west coast cities, Los Angeles and San Francisco, have consistently reported the widest farm-retail spread on frying chickens. Retail-store spreads in Los Angeles have decreased since 1957, but farm-retailer spreads have increased. 7/ In San Francisco, farm-retailer spreads have declined each year since 1956 and the trend in retail-store spreads has trended downward. Although San Francisco had the highest retail-store spread of the nine cities in 1959, the retail-store spread there was 9.2 cents lower than that reported in 1956. Here again, as for eggs, using the nine-city average spreads as a basis, San Francisco, Boston, and Los Angeles have very high retail-store margins (table 9).

7/ See footnote 2.

The wide farm-retailer spreads for the two west coast cities partially reflect higher transportation costs, since the bulk of the fryers sold in those cities in recent years came from processors in Alabama, Arkansas, Louisiana, Mississippi, and Texas.

St. Louis had the smallest farm-retail and retail-store spreads in 1959. Boston has the smallest farm-retailer spread, but its retail-store spread was one of the largest. The small retail-store spread on fryers in St. Louis indicates retailers in that city may feature fryers at low markups more often than do retailers in other cities.

Retail-store pricing policies indicate that retailers in different areas tend to favor different products when selecting items to feature as special sales attractions. Frying chickens and eggs, however, seem to fulfill criteria desired by most large retailers for feature sales items. Both products are widely accepted by consumers. They are currently in plentiful supply; they are perishable products which must be moved quickly through stores; and they are usually consumed in households within a relatively short time after purchase.

Earlier articles on marketing spreads for eggs and frying chickens in the United States and selected cities reprinted from The Marketing and Transportation Situation:

"Marketing Spreads for Eggs and Frying Chickens in the United States and Selected Cities," AMS-296, Jan. 1959.
"Farm-Retail Spreads for Poultry and Eggs in the United States and Selected Cities," AMS-227, Jan. 1958.
"Marketing Margins for Poultry and Eggs in the United States and Selected Cities," AMS-170, Feb. 1957.
"Marketing Margins for Poultry and Eggs," AMS-112, Jan. 1956.